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SIPDIS

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STATE PLS PAS USTR SMCCOY, JGROVES, PBURKEHEAD
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SUBJECT: An Inside Look at a Russian Optical Disc Plant

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Summary

11. (SBU) On March 18, Embassy and European Commission IPR officers and a representative of the Russian Anti-Piracy Organization (RAPO), toured a successful optical disc production plant, DVD Club - a producer of legitimate DVDs. RAPO has 24 hour access to the plant. Afterward, they discussed piracy concerns with the British part-owner and the plant's Russian director, who noted that an illegal plant with the right equipment can quickly churn out a large volume of high quality discs. BluRay, the next generation of optical discs, has more anti-piracy features but they predicted it would also be quickly hacked placing a premium on law enforcement efforts to identify the purchasers of such equipment and to monitor their activities. End summary.

DVD Club Tour

12. (SBU) On March 18, Embassy IPR Attache and the local European Commission IPR officer joined Konstantin Zemchenkov, head of the Russian Anti-Piracy Organization (RAPO), for a tour of an optical disc production plant located just outside Moscow's city center. DVD Club, a licensed plant that mainly reproduces for Sony and Disney studios, is operated by holding company Video Services with partial British ownership. RAPO has full and immediate 24-hour access to DVD Club, and considers this plant fully legitimate.

13. (U) Security was strict as the group was required to check bags and don lab coats and plastic shoe covers before entering the hospital-clean operation. The plant's director and floor manager explained to the visitors the highly technical, largely automated process of DVD reproduction from making a disc from silicon bicarbonate, marking the surface, layering a metal (either silver or aluminum depending on the quality and format desired), followed by an added electrolyte and a photoconductor. Voltage is then applied with a desired anodization color, so that when a laser hits the disc, it can be read.

14. (U) In a noisy production room, six lines run high-tech equipment 24-hours a day, with a capacity to produce a DVD every 2.3 seconds. The in-line production machines, from German company Singulus Technologies, have built-in "vision inspection" of discs during printing and automatically reject faulty items. Products are weighed at a partitioned section of an accumulator and separated into bundles of ten. Final quality control manually inspects one

disc of every 1000, or fewer for a smaller batch. The discs are then packaged with cover inserts in jewel cases before shipment.

Piracy Concerns

¶5. (SBU) DVD Club's director explained that once the expensive production equipment is bought, optical discs are cheap to manufacture and easy to distribute -- two features that make them highly vulnerable to piracy. He said a production facility can churn out a large volume of illegal discs in a relatively short time. Moreover, he said the quality of a digital pirated disc, unlike those made with traditional analog technology, is as high as the original.

¶6. (SBU) Industry representatives tell us that while some western movie studios reproduce their own discs in Russia, most contract out to licensees. BUR, the British part-owner of Video Services which operates the DVD Club plant, holds the license to reproduce for Sony and Buena Vista/Disney productions. The visitors to the plant noticed that the "Masters" (original hard-copy tapes sent by the film studios) are kept in a safe.

¶7. (SBU) In discussing piracy problems, BUR's manager John Gordon attributed the high piracy rate to technological advances, corruption, and weak rule of law. He noted that BluRay, the next-generation of optical disc format, allows for better anti-piracy controls. However, so far, only one Russian company, LazerVideo, has purchased a multi-million dollar BluRay machine, although DVD Club has one on order for delivery later this year. He predicted that savvy Russian pirates will likely hack BluRay's anti-piracy software in no time, and asserted that manufacturers of production equipment (in this case the German company Singulus)

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should tell government agencies who bought their equipment so as to make it easier to identify pirate operations.

Comment

¶7. (SBU) When inspecting plants such as DVD Club, RAPO's access is full and immediate. Plants located on RARES (restricted access sites) sometimes make RAPO wait outside, however if access is not granted within 15 minutes, the inspectors leave and file a complaint with the authorities. According to Zemchenko, 15 minutes is not enough time to hide all evidence of pirate activity making regular RAPO inspections effective.

BURNS